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CENTRAL INTELLIGENCE AGENCY
National Foreign Assessment Center
16 October 1978

INTELLIGENCE MEMORANDUM

ZAIRE: ECONOMIC AND POLITICAL REFORMS

The pace of President Mobutu's reform effort--launched last June largely in response to Western pressure--is not as rapid or as comprehensive as his Western supporters would like. Although he has made significant progress in the financial, economic, and diplomatic spheres, Mobutu has done little to achieve a political reconciliation with the largely disaffected residents of Shaba Region, the scene of two rebel incursions since 1977, or to institute reforms and curtail excesses in the military--important prerequisites for long-term stability. Continued pressure by Zaire's Western supporters will be necessary if Mobutu is to continue his reform efforts.

The US Embassy in Kinshasa reports that Mobutu, overall, has kept his promise made last June to begin implementing reforms. Although the gap between Mobutu's promises and accomplishments remains great, he probably is aware that further steps are necessary. The Zairian President is becoming increasingly resistant to outside pressure for additional changes, however, and he has warned that he would interpret continued pressure--such as demands for reforms in specific areas--as an infringement on Zaire's sovereignty.

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This memorandum was prepared in the Office of Regional and Political Analysis and coordinated with Deputy Director for Operations, Office of Strategic Research and Office of Economic Research. Questions and comments may be addressed to the authors,

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RP M 78-10389

State Dept. review completed

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ZAIRIAN PRESIDENT MOBUTU ADDRESSING A RALLY IN KINSHASA.



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Approved For Release 2007/02/08 : CIA-RDP80T00634A000400010034-5

In recent meetings with diplomatic representatives of his country's major donors--Belgium, France, Britain, West Germany, and the US--Zaire's "President-Founder" defended the pace of his reform efforts. Although he had attempted to separate the reform issue from the question of Western financial assistance, he also has said that the success of reform efforts would ultimately depend on continued Western support for his government. In several recent discussions concerning Zaire's internal reforms, Mobutu and his senior officials have adopted a defensive posture, arguing that the US--unlike Zaire's other supporters--is expecting too much too soon.

The Economy--Some Positive Steps

The most notable of several economic reform measures taken since June is the President's acceptance of expatriate supervision of government budgetary and foreign exchange operations. The group of experts attached to the Central Bank has already arrived in Kinshasa, and the budget team is slated to arrive this month. In addition, final arrangements are being made to send some 30 to 35 Belgians to the Department of Customs by the end of the year. Finally, an intensive international search is on to locate someone to oversee all government financial activities.

Mobutu has also moved to conserve Zaire's foreign exchange reserves, which remain low despite unexpectedly high levels of copper and cobalt output and record world cobalt prices. Kinshasa announced in late July a series of restrictions that will sharply reduce consumer imports and tighten control over foreign exchange flows. Private banks, which finance a substantial share of the country's consumer imports, are now prohibited from issuing letters of credit unless they have cash on hand. Foreign exchange allocations are to be reorganized with outstanding import bills to be paid off as quickly as possible and foodstuffs, industrial raw materials, and essential manufactures to receive the lion's share of the rest. Export revenues--except for copper--are to be deposited in Zairian banks, rather than in overseas accounts, in response to widespread adverse publicity over the disappearance of several million dollars of coffee receipts.

Mobutu has also agreed to renew efforts to get stagnating agricultural production on the move. The internal distribution network is to be improved, and farmers are to be provided more seeds, tools, and other inputs. A cotton stabilization program is planned that will guarantee farmers both a ready market and a minimum income.

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Temporary US-IMF Impasse

The most nagging problem at present is the status of the International Monetary Fund's stabilization program that Kinshasa's creditors--particularly the US--are pushing as a prerequisite to further financial assistance. Negotiations are stalled because of Washington's insistence that the stabilization plan be implemented before making a firm aid commitment for next year and because of US concern over the slow pace of internal political reforms. Without pledges from the US and other leading donor countries, the IMF is reluctant to commit any of its own resources. The Fund has participated in stabilization programs in the past only to have Zaire fall short of its obligations, and leading donor countries to cut back on aid disbursements. Mobutu has expressed anger and disappointment with the US position.

Potential Problems

Even if the IMF plan is implemented, other problems loom on the horizon that could jeopardize the government's performance and subsequent availability of foreign assistance. Insufficient manpower will impair Kinshasa's ability to monitor the flow of Zaire's foreign exchange holdings or to crack down on improper pricing of exports that reduces the volume of export receipts subject to taxes and other government controls. Unless Mobutu reverses his stand against a major currency devaluation, the severe trade restrictions will provide an unwanted boost to black market activity that already siphons off a significant amount of much-needed government revenues.

The sharp drop in consumer imports is also likely to generate increased popular unrest that may temper the President's enthusiasm for the latest economic moves. Nor is he likely to enjoy the limitations placed on the availability of public funds for his personal use, including his longstanding practice of paying off potential political opponents. The biggest question mark, however, is the status of the Shaba mines. Current production trends--copper output in August was around 90 percent of the preinvasion monthly level and cobalt actually exceeded the pre-May rate--are not expected to last much longer because of poor equipment maintenance and inexperienced Zairian personnel.

Footdragging on Internal Reforms

In the political and diplomatic areas, Mobutu has made some significant progress, particularly by improving relations with Angola and declaring an amnesty for Zairians living abroad. Many problems--such as the welfare of the returnees and mutual suspicions regarding support to insurgents--nevertheless remain to be resolved. Mobutu

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also has eased Zaire's strained bilateral relations with other African states, including neighboring Tanzania and Zambia.

Mobutu seems less willing, however, to implement internal political and social measures that are crucial to reestablishing his legitimacy and assuaging widespread dissatisfaction with his government. He did announce two weeks ago that military rule in Shaba would be terminated at the end of the year and that the estimated 2,000-3,000 political detainees held at the Lokandu detention camp in Kivu since the outbreak of Shaba II would be released this month, but he has done little more. With the exception of the release of the former foreign minister accused of complicity in the first Shaba incursion and perhaps a few other individuals, the amnesty has not been extended to include the political and military prisoners held inside Zaire.

Mobutu continues to take a hard line on Shaba Region, repeatedly stating that the problem there is an economic rather than a political one. Already alienated as a result of past exploitation by the central government, Shabans reportedly are now being excluded from new Zairian Army units being formed by the French and Belgians. Although rumors circulate that Shabans are to be appointed to high government positions and that political institutions will be decentralized so that Shaba--and other disaffected regions--can have a political voice, no such changes have yet occurred. As long as Mobutu fails to make conciliatory gestures toward Shaba--as has been suggested by his Western supporters and some Zairian advisers--mutual distrust between that region and Kinshasa will continue and the prospects for future dissidence will remain.

The Military--A Persistent Problem

Similarly, Mobutu has done little to restructure the Army, notorious for its inability to fight and for its propensity to commit offenses against civilians. The Army is plagued by serious organizational and logistic problems that the President has only begun to address. Soldiers often are neither paid nor regularly fed. Consequently, desertions and acts of indiscipline are common. Poor leadership contributes to the woeful lack of professionalism. The continued presence of the Inter-African Force is for Shaba residents as much a protection against the Zairian Army as it is assurance against another Katangan attack.

Corruption in the military--and civilian sectors--remains rife. Mobutu is conscious of the US concern with human rights, but abuses, generally attributed to governmental incompetence rather than malevolence, continue. While there has been overall progress in recent months in the area of human rights, the widening gap in the standard of living

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between Zaire's elite population and the masses refutes Mobutu's claim that he is leader of all Zairians.

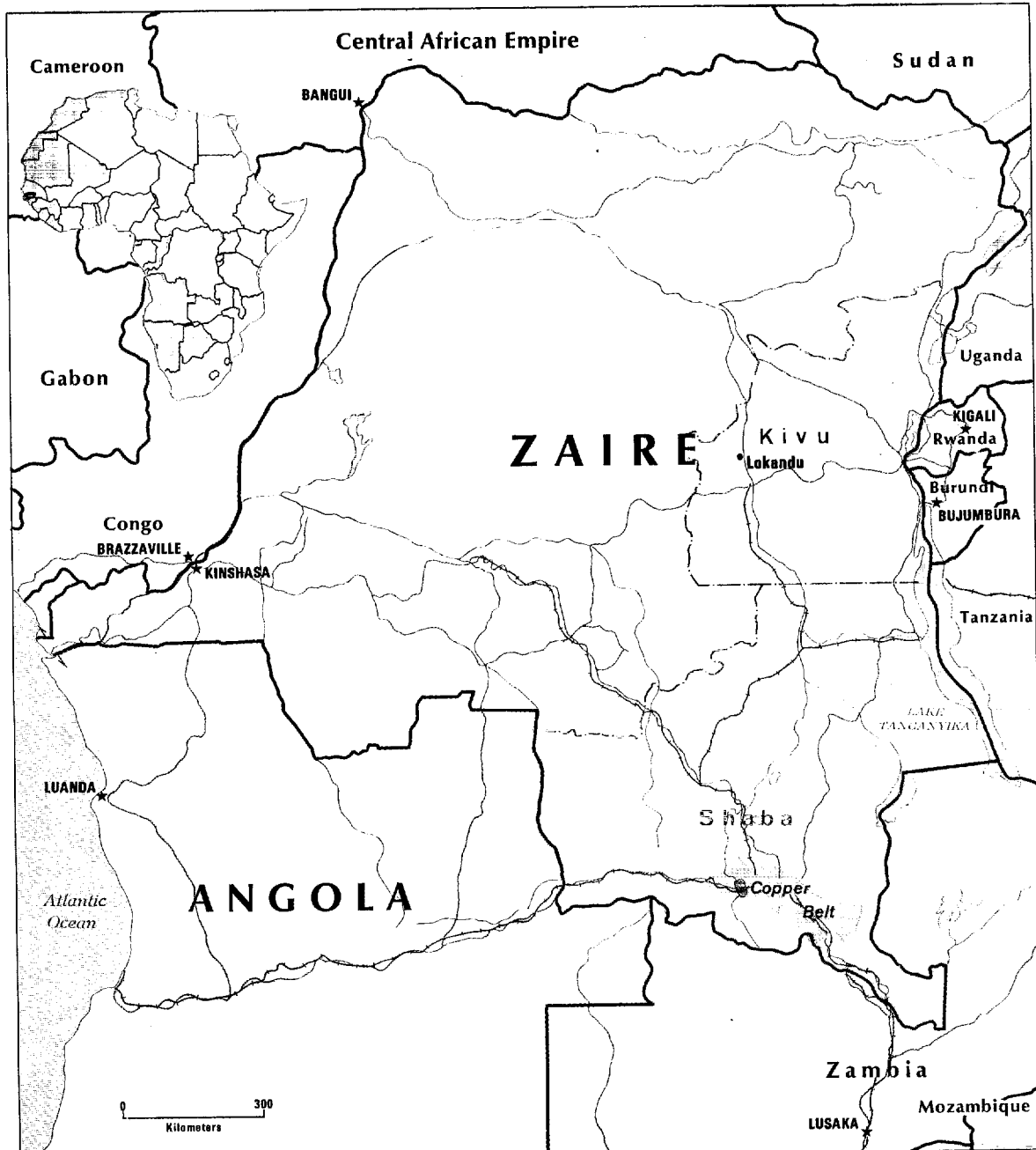
Mobutu--The Reluctant Reformer

Despite the glaring shortcomings, Mobutu believes that he has made considerable progress in implementing reforms. Mobutu is probably justified in calling for more time to accomplish many of his promised changes, but continued pressure will apparently be necessary to prevent him from abandoning his efforts. Although Mobutu has got the message that the US is not satisfied with his progress in effecting internal reform, Zaire's other Western donors are reluctant to put additional pressure on him. Some of Zaire's supporters probably fear that too much pressure could be counter-productive, possibly leading Mobutu to become intransigent or to react irrationally.

If his Western supporters fail to press Mobutu on reforms with a unified voice, he may attempt to play them against one another--a tactic he has used with considerable success in the past--and allow his efforts to lag. Although Mobutu eventually will probably undertake additional reform measures, the US Embassy in Kinshasa believes that he will be careful to avoid the appearance of knuckling under to US pressure. Nor will he undertake any reforms--such as political decentralization--that in his view may weaken his political position. In any event, Zaire's social tumult will undoubtedly continue for the foreseeable future; the only question is how severe it will be.

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